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DECEMBER 1961

# COMMONWEALTH DIGEST

and WORLD ECONOMIC REVIEW



## Digest Spotlight

on

### Professor Richard Stone

Also in this issue:

**U.S.A. AND THE  
COMMON MARKET**

**CAN THE STERLING  
AREA SURVIVE?**

**LET'S MEET HUMAN  
NEEDS**

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## Commonwealth Digest

and World Economic Review

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# COMMONWEALTH DIGEST

and

## WORLD ECONOMIC REVIEW

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DECEMBER 1961

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*Digest Spotlight focuses on*

### Professor Richard Stone

PROFESSOR Richard Stone is working with a group of economists at the Department of Applied Economics at Cambridge who are engaged on the preliminary stages of a ten-year perspective plan of economic development on a national scale. At the October dinner of the Economic Research Council, members had the opportunity of hearing something about progress made from Professor Stone himself. Speaking on the subject of 'How Fast can Britain Grow', Professor Stone explained that his main work in econometrics since the early 1950's had been related to the analysis of consumers' behaviour and he went on to tell his audience of his subsequent efforts to try and bring together his work on economic statistics and economic relationships into a computable model of the British economy.

"The success of this venture" said Professor Stone, "depends in a large measure on the interest and co-operation of practical men in various branches of the economy who can help to make the model more realistic. The conference I held in

Cambridge last July encourages me to believe that the interest is there and that co-operation will be forthcoming".

Born in 1913, Richard Stone went to school at Westminster where he says "I achieved no distinction of any kind". His father was appointed a Judge in the High Court at Madras and Stone spent his 17th year in India and the next four years at Gonville and Caius College, Cambridge. He read law for two years and economics for two years and got a double first. The next four years were spent with C. E. Heath and Co., Lloyds Brokers. It was then that he produced a monthly commentary on the economic position called *Trends*. The first year of the war saw him in the statistics department of the Ministry of Economic Warfare, later he transferred to the Cabinet Offices where he worked with James Meade on statistics of national income and expenditure. This work formed the statistical part of the first White Paper on national income and expenditure which appeared at the time of the Budget in 1941. This work con-

tinued throughout the war and Stone also acted as assistant to Lord Keynes at the Treasury.

At the end of the war he went to Cambridge as the first director of the newly founded Department of Applied Economics and also became a Fellow of King's College. In 1955 he was appointed P. D. Leake Professor of Finance and Accounting and, while remaining closely attached to his old Department, was no longer responsible for its direction.

Among his other activities was the production of a report written in 1945 for the League of Nations on the methodology of social accounting. This was produced while at The Institute for Advanced Studies at Princeton. The report was adopted by the United Nations. He was also Chairman of a committee which prepared the present system of national accounts used by the United Nations.

From 1949-52, Professor Stone directed a small unit of the Organisation for European Economic Co-operation charged with the setting up a standard of national accounts, investigating the national accounts statistics of member countries and helping in the task of training officials concerned with national statistics in member countries. When this work moved from Cambridge to Paris in

1952, Stone continued to act as a consultant mainly concerned with the methodology of social accounting. His latest report on input-output and the national accounts has just been published.

Professor Stone's travels have taken him to many parts of the world, particularly Europe, America and India.

A member of council and past president of the Econometric Society, and a member of the International Statistical Institute, he was also sometime council member of the Royal Statistical and Royal Economic Societies and of the International Association for Research in Income and Wealth, a member of council of the National Institute of Economic and Social Research. In 1954 he was granted honorary membership of the Society of Incorporated Accountants and Auditors, in 1955 elected a Fellow of the British Academy and in 1956 he was admitted to the degree of Doctor of Science at Cambridge.

Professor Stone says that he is interested in the visual arts, especially painting and architecture, and in music, especially jazz, but does none of these things himself.

He commented, "If I had to live in an age other than the present one I should prefer to take a chance on the future rather than to live at any period in the past."

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## How It has Grown

IN Mombasa magistrate's court when a man was charged with illegally importing parrots into Kenya a grey Congo parrot with a red tail, one of the exhibits, kept up a raucous squawk of "Uhuru! Uhuru! Uhuru!"

## Round the Commonwealth

### (1) NEW ZEALAND AND E.E.C.

"THE forthcoming negotiations with the European Economic Community with a view to United Kingdom membership will be watched with apprehension by New Zealand in spite of the assurances we have received," said the Minister of Finance, the Hon. H. R. Lake, in an address to the New Zealand Society in London recently.

"It has been said recently that Commonwealth countries are no longer to remain primary producers, that we have built up our industry, put tariffs on British goods; that as we emerge from economic colonialism we cannot demand that Britain should become a kind of economic colony for us. Of course we must build up our industries but this merely changes the pattern. Instead of importing the same proportion of finished goods for consumption we import more semi-finished goods and the capital equipment required for industry.

#### Restriction

"It has also been said that there is a dangerous fallacy among those who question Britain's entry into the Common Market in assuming that if Britain did not join, then the position will remain the same as it is now. We recognize the possibility of changes but I would remind you that if limits and tariffs were to be placed on New Zealand imports with the United Kingdom this would

restrict the development of two-way trade.

"The objective of the Common Market is seemingly aimed at maintaining a high internal price level by imposing a levy on imports and, when necessary, shutting them out altogether. This applies mainly to the agricultural sector of course—the community appears to be following a more liberal trade policy in other spheres. Although one can sympathize with the goal of the E.E.C. in this matter—which is to raise personal incomes in the depressed agricultural sector—it is very much open to doubt whether they are going about it in an enlightened way, from the wider world viewpoint. The goal of all economic activity is to raise living standards and increase individual prosperity.

"I think it is axiomatic that in the long run this cannot be achieved by favouring the inefficient producer and penalising the efficient, of whom New Zealand regards itself as one. In the long run, no one will benefit if the more efficient units are forced out of production.

"New Zealand is not the only agricultural exporter to have misgivings over the proposed agricultural policy of the E.E.C.

"The United States, Canada, Australia, Argentina and Denmark as well as New Zealand, have all sought to get the community to agree to some modification of the agricultural proposals."

## (2) MORE AND BETTER TOBACCO GROWN IN N.Z.

THE Annual Report of the Tobacco Growers' Federation draws attention to tobacco as a means of increasing New Zealand's overseas exchange earnings.

"With the uncertain conditions prevailing overseas in the traditional markets for the country's primary products and with a possible further deterioration, the importance of tobacco growing in New Zealand becomes more apparent in helping to maintain the balance of economy of the country," says the report.

"Our growers, therefore are to be congratulated on the quality of leaf now produced and on their obvious willingness to undertake progressive ideas in crop production, which have helped to increase overall production and to improve quality."

### **Increasing importance**

To serve the tobacco industry as it increases in importance the feder-

ation has given its executive authority to overhaul the federation administration, says the report.

Although weather was reasonably favourable during the growing season, it seems probable that production an acre will not attain the record of 1,882 lb. of the previous season, when the total production was a record 7,075,577 lb.

An offsetting factor could be production from 402 acres, more than in the previous season.

During the year manufacturers agreed to use at least 35 per cent of New Zealand leaf for the coming year and increase it by 1 per cent in each of the three succeeding years. In the year ended July 31st, 1960, the statistical overall use was 38 per cent. There is a statutory provision that 30 per cent be used.

*From Forefront*

## (3) 1962 A GREAT YEAR

CONFIDENCE in Australia's future has been simultaneously voiced from two important sides. On behalf of the Government, Mr. R. G. Menzies, Prime Minister, declared that 1962 would be a "very great year" for the country, and forecast continued prosperity for the next 10 years.

"In the financial year just ended," he continued, "the flow of private-enterprise money for business development in Australia has been much

higher than last year and is in fact an all-time record for Australia. Australia is the most popular country in the world today for investment purposes".

Attacking the "calamity howlers", Mr. Menzies declared that he was an "unlimited optimist" about the future.

Support for this long-term view of economic growth is expressed in a booklet just published by the Aust-

*From News from Melbourne*

alian Industries Development Association, on whose council sit 34 of the nation's leading business executives.

### Great strides

Value of manufacturing, predicts the association, will rise from £A5,000m. a year to £A10,000m. by 1970. There would also be great strides in all other fields of production, to bring the gross national income to over £A12,000m. by that date. In the decade ahead population would rise by 25 per cent, electric power output would be doubled, and £A35m. spent on roads, water storage and communications. New irrigation projects would mean vast expansion in agricultural output, and there would be a "significant expansion" in pastoral industries as a result of increased capital

expenditure and development in northern areas.

On investment, the association reported that Australia had sufficient capital almost entirely to support this rapid programme. Ninety per cent of the funds needed for the great expansion over the past 10 years, it pointed out, had been raised locally, representing more than 35 per cent of the gross national product. There is no reason, concludes the association, why this level should not continue.

"Undoubtedly", says the report, "the total investment requirement will continue to accelerate each year; in some fields it will be much higher than the average trend (e.g., steel, power and chemicals) and there will also arise new needs in fields at present non-existent".

## (4) AUSTRALIA'S EXPORT RANGE WIDENS

AUSTRALIAN manufacturers recently reported satisfying successes in the export of a wide range of secondary products, Mr. R. W. Swartz, Parliamentary Secretary to the Minister for Trade, said on October 6th.

Mr. Swartz said that there had been a significant increase in exports of manufactured goods in the past five years.

During this period Australia had renewed or negotiated trade agreements with a number of countries. These countries included Indonesia, the Federation of Malaya, Japan, the Federation of Rhodesia and Nyasa-

land, New Zealand and Canada. Trade with Japan had improved from £A95 million on the average of three years prior to the trade agreement to £A160 million last year.

Australia's active participation in international commodity agreements had also worked towards stable commodity markets for some major export items such as wheat and sugar.

Other measures to increase trade included export incentives, the expansion of the Trade Commissioner Service from 17 posts in 12 countries in 1949 to 35 posts in 28 countries this year, a substantial increase in the trade publicity vote and the organ-

*From Australian Newsletter*

isation of trade missions, trade ships, and survey missions. Fourteen such missions had left Australia since 1954.

## (5) NIGERIA SUGGESTS COMMONWEALTH COMMON MARKET

THE leader of the Nigerian delegation to the Commonwealth Parliamentary Association conference suggested a Commonwealth Common Market and Commonwealth Regional Free Trade area as alternatives if Britain decided not to join the European Common Market.

Alhaji Shahu Shagari, Federal Minister of Establishments, was speaking in the debate on economic affairs.

Alhaji Shagari said a Commonwealth Common Market would remove any semblance of dependence or neo-colonialism.

There was also no reason why Regional Commonwealth Free Trade areas could not be formed even now. They could be in Africa, Asia, Canada, Australia and New Zealand.

### Comparative relief

That would be a much easier short-term proposition than an African customs union, in view of the dependence of most African countries on customs duties for their revenue, he said.

Alhaji Shagari said there was no doubt that Britain's decision on the Common Market would be of momentous importance to the Commonwealth. The outcome of the negotiations would determine its future.

The negotiations must take account of the individual needs of each Commonwealth country and constant contact must be maintained between Britain and each country throughout.

The Nigerian Minister said they were all happy and relieved when Mr. Duncan Sandys, Secretary for Commonwealth Relations, gave them an assurance that if his Government was faced with a choice between the Common Market and the Commonwealth, it would choose the Commonwealth if the Commonwealth's vital interests could not be protected.

### New economic blocs

But he asked whether Mr. Sandys had started to consider the alternatives he had mentioned.

Mr. A. O. Chikwendu (Eastern Nigeria) said that if Britain joined the Common Market without securing Commonwealth concessions other Commonwealth countries "would explore other channels of trade". He said this could bring about new economic blocs.

Mr. Chikwendu said there should be free exchange of commodities between the Commonwealth countries.

It was possible that with so many dependent territories becoming independent Britain might lose control of many of the markets in the Commonwealth.

*From Eastern Nigeria Today*



## U.S.A. and the Common Market

LIKE other outside countries, the United States is vitally interested in Europe's regional trading arrangements. Western Europe is our largest trading partner, and over the years has accounted for an increasing portion of our foreign commerce. Currently, our trade with Europe accounts for one third of our exports and more than one half of our total trade surplus; U.S. exports to Europe exceeded imports from that area by \$3 billion during the twelve months ended June 1961. Our trade surplus with Europe helps reduce our large payments deficits with Europe on account of services, defence outlays, and capital investment.

The substantial expansion in our exports to Europe—at least until a few months ago—shows that increased demand for American goods can offset the adverse effects of tariff changes. In the long run, it must be hoped, the expanded market now being created in Europe, joined with liberal trade policies, vis-a-vis outsiders, will materially enlarge outlets for U.S. exports just as our economic growth, and liberal import policies, have enlarged European opportunities in this market.

### Wider implications

Elsewhere in the world, groupings similar to the Common Market are also emerging. Last June, a Latin American Free Trade Association,

formed by seven nations, was set in operation. A Central American Common Market comprising four countries has been in existence for a year. Regional Asian and African groupings are being discussed. Ripples from the economic tidal wave set in motion by the signing in 1957 of the Treaty of Rome, which created the EEC, have thus spread throughout the world.

These moves, particularly on the part of less-developed nations, stem from an understandable desire to speed up industrialization. But they also reflect the desire to strengthen their bargaining position vis-a-vis the European Common Market. The EEC places fairly high tariffs on tropical products like coffee, cocoa, and tea produced by nonparticipating nations while allowing similar imports from members' "associated territories" overseas to be free of duty.

The emergence of these regional groupings constitutes a major challenge for Free World economic statesmanship. Above all, it is necessary to avoid the dangers of splitting the world into three or four blocs. For this, it is essential that the regional groupings look outward, not inward, and build up their own strength while ready to help others. This would fortify the fabric of global, in contrast to regional, trade and increase the economic and political cohesion of the Free World.

*From First National City Bank Monthly Letter*

## Can the Sterling Area Survive?

**EFFORTS** now being made to reach agreement with the Six Common Market countries for British membership of the E.E.C. under the terms of the Treaty of Rome must inevitably call into question the future of the sterling area. Sterling is very largely used in world trade as a means of payment, it is calculated that it enters into the settlement of about 50 per cent of world trade. Indeed, it is difficult to see how post-war recovery of trade could have been so great if it had not been for the existence of sterling as the nearest approach to an international currency in the world.

This view of sterling is amply confirmed by reference to most authoritative sources. The Radcliffe Report on credit and currency has this to say on the subject of the sterling area in its conclusions: "We are satisfied that it is in the interests of this country to maintain existing arrangements. We do not think it possible to dissociate these arrangements either from the long-standing trading relationships that lie behind them or from the political and other links by which most of the members of the area are joined in the Commonwealth. What is decisive in our view, is the general harmony of interest between the United Kingdom economy and that of the rest of the sterling area, and the mutual convenience of free multilateral trading relationships within the area".

This view was based on a mass of evidence submitted to the Radcliffe

Committee from Commonwealth sources. The following are a few necessarily brief extracts from this evidence.

### COMMONWEALTH BANK OF AUSTRALIA

"Because so much of Australia's export and import trade takes place with the United Kingdom and other countries prepared to accept and make payments in sterling, it is convenient for Australia to finance external trade in sterling."

### RESERVE BANK OF NEW ZEALAND

"There was no alternative to a procedure whereby New Zealand traded mainly with the United Kingdom and other Commonwealth countries, financed virtually all its foreign exchange transactions in sterling, held sterling as its principal external reserve (apart from some gold) and maintained its exchange rate at a fixed rate with sterling. No alternative has ever been seriously considered."

### SOUTH AFRICAN RESERVE BANK

"Arrangements with the Bank of England for the conduct of the Reserve Bank's sterling account, including the investment of funds, the custody and the sale of gold are eminently satisfactory."

### BANK OF RHODESIA AND NYASALAND

"From the point of view of this Bank, the present sterling area arrangements are, in general, very satisfactory."

*From The Monthly Bulletin of the Commonwealth Industries Association*

## RESERVE BANK OF INDIA

"A substantial proportion of India's trade is with the sterling countries, nearly 54 per cent of her total exports and about 45 per cent of her imports. Traditionally, an appreciable volume of India's non-sterling transactions has also been settled in sterling. The proportion of her trade which is invoiced in sterling is on an average almost two-thirds. Another 20 per cent of the trade is invoiced in rupees, leaving only about 13 per cent of the total trade for which payment is made or received in non-sterling currencies, mainly the U.S. and Canadian dollars."

## CENTRAL BANK OF CEYLON

"Being a country whose external trade is financed mainly in sterling and whose international reserves are also held mainly in sterling, Ceylon has no desire to sever its connection with the sterling area."

Taken together, these statements present a substantial argument for the preservation and indeed the strengthening of the sterling area as a mutually advantageous trading area. In fact, it is obvious that if sterling were to disappear in its international role, the outlook for world trade would be dismal indeed. It is this threat which confronts us if we find ourselves irrevocably tied up with the Common Market countries under the terms of the Treaty of Rome with its economic and political implications. Hence, the alarm and apprehension which the entire Commonwealth has shown at the possibility of this happening.

It is obvious that anything which weakens sterling in its international role is contrary not only to the long-term interests of the Commonwealth, but would also harm the whole structure of world trade. The question then arises—What is the position of sterling and the sterling area if Britain signs the Treaty of Rome and enters into the Common Market? It has been argued that this will make little difference to sterling; in fact, some have claimed that sterling will be strengthened by Britain's association with the dynamic and fast growing economies of the Six. Can this view be substantiated?

**Confidence undermined**

At this time it is difficult to be dogmatic about the outcome of the present negotiations with the Six. On the one hand, pledges have been given by Government spokesmen about safeguarding Commonwealth trade. On the other hand, statements have been made to Europeans indicating Britain's willingness to accept the Rome Treaty and its full implications in both its economic and political aspects. Unfortunately, it appears that the views of the British Government on the question of safeguarding Commonwealth trade are to seek arrangements on a piecemeal and sectional basis. While some Commonwealth countries may find that their economies are harmed less than they fear, others may find the outcome will disrupt their economies much more. This approach will destroy Commonwealth unity and undermine confidence.

It is this element of confidence which is supremely important. The fact that the sterling area exists today springs in the main from the confidence which overseas countries have had in Britain's integrity and stability. Anything which tends to undermine confidence is disruptive and likely to break down the whole system of payments built up over so many years.

It is generally held that if Britain obtains agreement to her membership of the Common Market, she will have to devalue sterling as a first step. This is not likely to inspire confidence on the part of the nations who hold sterling as a reserve currency, or who use it so widely in their international trade. The fact that British economic policy will be geared more closely to Europe and less to the Commonwealth will again undermine confidence.

The fact that the Treaty of Rome contains no provision for withdrawal or denunciation means that if we accept the obligations we do so for ever. This will not make our Commonwealth partners feel that we are very concerned about their future, or indeed, that we value our association with them very highly.

### A European currency

The logical outcome of the steps now being taken to unify the economic and political policies of the Six will be a common European currency and this development would inevitably bring an end to the sterling area as we now know it. In the long term the existence of the sterling area

depends on the willingness of other countries, both Commonwealth and non-Commonwealth, to hold and use sterling. Once their confidence has been thoroughly undermined, are they likely to continue to do this? If they decide to give up their membership, what remains?

These are matters of immense importance. Are they fully understood by those who are in control of our affairs? It is a sad but sobering thought that so little did the authorities think about the value of the sterling area in 1945, when the loan from the U.S.A. was accepted that they agreed as part of the price of the loan to break up the sterling area.

Dr. Hugh Dalton, then Chancellor of the Exchequer, was asked in 1946, "whether Britain would break up the sterling area in accordance with the Washington Loan Agreement". His reply was "You may ask me when, but not if. That undertaking will be kept". It never was kept for the simple reason that it would have been impossible to keep international trade going without sterling. Even when Britain's fortunes were at their lowest ebb following the last war, confidence in sterling remained sufficiently strong to keep the sterling area alive. If Britain enters the Common Market without complete and adequate safeguards for the future development of Commonwealth trade we shall inevitably disrupt "the general harmony of interest between the United Kingdom economy and that of the rest of the sterling area", which the Radcliffe Committee regarded as decisive. This may well mean the end of the sterling area.

## International Monetary Problems

SEPTEMBER is the month when the financial experts of the Commonwealth and of the various international institutions meet—this year in Accra and Vienna—to discuss problems of world finance. Basically there are two—the problem of currency alignment and the question of international liquidity. Another problem, that of finding funds for financing the under-developed countries of the world, would be eased if a satisfactory solution were found to these fundamental issues.

It is a truism, although an oversimplification, to say that, in the long run, a country's exports must pay for its imports. This presupposes a rate of exchange that is broadly based on purchasing power parity or, in other words, one that attempts to equate the price and income structures of the country with the rest of the world or, more particularly, with its major trading partners and this is a dynamic, not a static, concept. This, however, does not come about automatically as it did in gold standard days, assuming that system was worked according to the rules. It can eventuate only by conscious effort on the part of the monetary authorities of the world.

### Bretton Woods

Most of the world's currencies now have only a theoretical link with gold and are maintained at rates which are only allowed to fluctuate within narrow limits with the United States dollar which has a gold parity

of \$35 an ounce. This system arose out of the Bretton Woods Conference in 1944 which led to the establishment of the International Monetary Fund at the end of 1945. One of the Fund's objectives was, of course, to secure long-period stability of exchange rates but not to preclude alteration of parities. Provision was made for securing agreed changes of rates as opposed to unilateral alterations. Certain changes have been made since 1945, but only one major series of clearing up operations, namely that of September, 1949. With the lapse of twelve years there is little doubt that the existing pattern of exchange rates is anything but realistic, although it is admittedly difficult to fix any individual parity which could claim to have behind it complete economic justification. Yet, if countries have persistent balance of payments deficits, or even surpluses, that denote lack of equilibrium, currency realignment of monetary action at home to justify the existing parity are the only real alternatives. In this connection, it is necessary to make the point that domestic monetary and fiscal action, to keep in step with other countries and to preserve an existing exchange rate, does not necessarily conflict with expansion of output but it implies discipline and temporary sacrifice.

### Fixed parities

The system of fixed parities is not without its critics and there are many

*From Barclays Bank Overseas Review*

advocates of floating rates of exchange. It is perhaps easy to argue the advantages of a flexible rate for a particular country but its universal adoption is a different matter. Foreign exchange rates as a whole cannot be allowed to bob up and down like corks on the sea; they can only "float" with reference to a sheet anchor. This implies that the values of national currencies can fluctuate only in terms of a supra-national unit—at the present time we are far removed from achieving this. Moreover, a flexible exchange rate is an easy expedient for any government to adopt whenever the inadequacies of its economic policy lead it into balance of payments difficulties. For the time being at least the world is committed to the I.M.F. system of fixed parities, though there may be a case for their revision in one or two instances. A greater measure of flexibility may also be desirable and a widening of I.M.F. margins within which spot rates can move might be worth consideration by the authorities. Providing rates are realistic, a stable pattern has a generally encouraging effect on world trade.

The second problem, namely that of international liquidity, is to some extent bound up with the question of exchange rates. Apart from movements of capital, both long and short term, exports do not in the short run exactly pay for imports and every country must have a stock of liquid international capital, say gold or convertible currencies, to meet possible shortfalls. If exchange rates were realistic, the amount of liquidity required to settle differences would be

reduced. The present outcry for an increase of international liquidity is more a reflection of the unevenness of the distribution of external reserves caused by unrealistic rates than a fundamental inadequacy of liquidity as a whole. It is not proposed to enter into a discussion of an increase in the price of gold. This step would, of course, ease any alteration in exchange parities because they could be coincidental. It would assist international liquidity and give a "breathing space." But the decision lies solely with the United States and she seems unwilling to take this step. Furthermore, any tinkering with the gold price does not dispense with the necessity of nations keeping in step one with the other either by domestic management or via the exchange rate.

### International liquidity

We live in an imperfect world, however, in which exchange rates are not always realistic and there are "have" and "have-not" nations with regard to reserves. Steps have been taken to make available to needy member nations to an increasing extent the resources of the I.M.F. Critics of the policy of the Fund, that in making assistance available it often exerts pressure on the country to mend its ways, should remember that the Fund only stresses the obvious and that some infringement of national sovereignty must be conceded if we are to progress in the international political and economic spheres. (pace opponents of E.E.C.). The informal and reciprocal arrangements made by central banks to hold

a currency to a greater degree than customary when it is under pressure, admirable though they are, labour under the disadvantage that the obvious need for action is temporarily obscured.

A variety of plans (Bernstein, Triffin, Stamp, Zolotas) has been put forward to deal with the problem of international liquidity. For the most part they are ahead of the times. An admirable diagnosis of the problem has recently been given by Professor Heilperin of Geneva. He, too, adds his solution, which consists of a new gold standard for the Atlantic Community (O.E.C.D.), semi-automatic in character and joined to the wider framework of the I.M.F. This involves the abolition of the gold exchange standard and of the accumulation of reserve currencies. His pro-

posals, however, are not likely to find ready acceptance for they envisage the raising of the gold price—Professor Heilperin is not prepared to state the level—in order to allow for international indebtedness to be settled in gold and not reserve currencies. A practical outcome of the Vienna discussions is a plan (the details to be worked out) to increase the resources of the Fund by which it would be able to borrow supplementary amounts of scarce currencies whenever the need arises. This should make some contribution to the problem of international liquidity, assuming of course it does not cloak the necessity of countries with persistent surpluses or deficits making fundamental adjustments in their economies.

## Europe's Progress: Due to Common Market?

By ALEXANDER LAMFALUSSY, Economic Adviser to the Banque de Bruxelles.

IT has now become quite fashionable to argue that the establishment of the European Economic Community (E.E.C.) has *already* had a stimulating effect on the rate of growth of the six member countries, and that the widening gap between the economic performance of the Six and that of the United Kingdom may have something to do with the fact that the latter has as yet remained outside the E.E.C. The purpose of this article is to discuss the validity of the statistical evidence which may be put forward in support of, or against, this argument.

To sum up the conclusion in advance, my own impression is that the weight of the evidence goes against the argument. There seem to be no obvious figures which would point to a causal relationship between the establishment of the Common Market and the rapid growth of its members. It seems, in fact, quite possible to argue the other way round and to suggest that it is the "inherently" high rate of growth of Continental Europe which stimulated trade between members of the E.E.C. and made it possible to set up the Common Market, not *vice versa*.

*Extract from an article in Lloyds Bank Review*

## Economic Integration in Eastern Europe

ACCORDING to the Institute for the Study of the U.S.S.R., an organization based on Munich that keeps track of developments behind the Iron Curtain, Russia's ambitions to become the world's foremost industrial power could not be realized in the foreseeable future without the help of the seven Eastern European satellites—East Germany, Poland, Czechoslovakia, Rumania, Bulgaria, Hungary and Albania. These countries have a combined population of more than 100,000,000 and their potential contribution to Russia's economic strength is clearly immense. Already the satellites produce one-third as much steel as Russia herself, nearly as much coal, and about 40 per cent as much electrical energy.

Russia is reported to be stepping up its efforts both to expand industrial production in the satellites and to weld the economies of the individual countries more closely together to form a single self-dependent unit. In line with this policy, State planners are drawing up ambitious 20-year plans for each country in accordance with a co-ordinated programme of development which will dovetail with the 20-year plan recently announced by Russia itself. Economic considerations apart, this policy has the advantage to Moscow of making it more difficult for any satellite to follow Yugoslavia's example and break away from the bloc.

### Comecon

The agency entrusted with the responsibility of tying the satellites more closely to Russia is the Council of Mutual Economic Assistance, often referred to as Comecon. Comecon has 14 standing committees, each of which looks after a particular section of the bloc's economy, such as coal, chemicals, and non-ferrous metals. At the present time the production of oil drilling equipment is being concentrated in Bulgaria and Russia; aluminium output in Hungary and Czechoslovakia. East Germany is rendering economic assistance to Poland in the development of brown coal extraction, Czechoslovakia is co-operating with Poland in extracting hard coal and sulphur, while Czechoslovakia and Albania are working together in the extraction of nickeliferous Albanian ore; Russian technicians are helping Rumania to build a steel mill, East Germany is sharing its chemical know-how with other satellite countries.

### Self-sufficiency

Such is the degree of self-sufficiency already achieved by the Comecon countries that today about 70 per cent of the satellites' trade is within the bloc and only about 30 per cent with the rest of the world. This pattern is almost exactly the reverse of that which existed before Russia started to integrate the economies of the satellites with its own. According to *The Wall Street*

*From The Mining Journal*



*Journal*, Hungary now receives 96 per cent of its crude oil and 97 per cent of its iron ore from Russia. Czechoslovakia depends on Russia for 99 per cent of its crude oil, while Bulgaria, which imports 60 per cent of its steel, gets much of it from Russia.

It is evident that the integration of the satellite economies with that of Russia, as carried out under the aegis of Comecon, will have a profound influence on world commodity mar-

kets, one probable consequence being an increasing demand on the Soviet's mineral and metal resources to meet rising consumption within the bloc. It is not inconceivable, therefore, that with the expansion of industrial production and intertrading within the bloc, the time may not be far distant when Western markets will no longer be disrupted periodically by heavy exports of metals and minerals from Russia and Eastern Europe.

## O.E.C.D. Replaces O.E.E.C.

### POST-WAR ECONOMIC CO-OPERATION

THE change of title from OEEC to OECD reflects the facts that two non-European countries—the United States and Canada—now become full members; and that in future the accent will be put on development aid in the Organization's work. This reconstitution marks the changes that have taken place in the world economic situation since the former Organization was set up on April 16th, 1948, to administer Marshall Aid and to restore the European

economy on a co-operative basis.

When through the combined efforts of the eighteen European Members of OEEC this recovery had been achieved and put on a firm footing, countries continued to work together to expand their economies and raise their standards of living. By 1960 the balance between the combined economies of the OEEC countries and that of the United States had been restored.

## Progress ?

WESTERN EUROPE is rapidly becoming one vast conurbation as man lives more and more in the town. Every year, the move from the land increases, while, on maps, urban black gains at the expense of rural green. New factories, schools, dormitory suburbs, motorways, opencast mining, hoardings and pylons are the price which the countryside has to pay to live in the 20th Century. All mean space, and space means land. To protest against this encroachment is to invite the reproach of living in the past and of ignoring the realities of the present. But the problem of the preservation of nature cannot be so lightly dismissed.

## Let's Meet Human Needs

### A U.S. VIEW

HOW does it happen that the most powerful country, blessed with incomparable material and human resources, has suffered a series of serious setbacks? We submit that the key to this paradox lies in the fact that since World War II much of our foreign policy has been based on an untenable premise, viz., that only the machinations of Communism were at the root of the world's troubles and that if these machinations were stopped, all would be well.

Of course, the Communists ceaselessly strive to undermine governments which refuse to accept their dictates. This has sometimes resulted in the blurring of our view so that we often regarded legitimate grievances against the status quo as being Communist-inspired. From this fixed view it followed that the peoples of the world could be classified into two categories, i.e., "our friends" versus "conscious or unconscious agents" of Soviet Communism.

Speaking to the Vassar College graduating class of June 1961, Mr. George C. McGhee, the Counsellor of the State Department, conceded that past policy "tended to divide our world into friends and foes. Those who were not standing side by side to hold back the tide (Communist advances) were considered to be against us." Mr. McGhee admitted that this concept provided "no positive goals" (*New York Times*, 6-6-61).

### Diversion of effort

The notion that the world was simply divided into "lambs and wolves" led to the next plateau where it was assumed that military power, above all, had become the decisive and arbitrating factor. Our planet could now be treated literally as a vast battlefield and all other programmes would have to be shaped in accordance with what was required for sound military strategy. Yet, it is precisely at this critical juncture, when the conduct of foreign relations became a virtual appendage to the authority of the military strategists, that we collided with the real world of profound economic and political currents. That is why our military establishment, our military alliances and our military bases have not been able to deal effectively or decisively with the kaleidoscopic changes sweeping the world. Indeed, our very preoccupation with military buildups, debates over alleged missile gaps and the "practicability" of limited as against all-out nuclear warfare, diverted us from our true task in a world burdened by hunger, disease and illiteracy, and where submerged peoples were striving for human dignity and self-respect.

### Laos

Laos is a case in point. The dismal results there stem from a policy which placed a premium on military considerations. Five years ago, the

*From Prevent World War III (Society for the Prevention of World War III, Inc.), Summer 1961*

opportunities in Laos for the United States were virtually unchallenged. Yet, we failed because we sized up the problems of Laos in terms of our military needs and strategy in that part of the world. 90% of U.S. aid went to pay the costs of the armed forces in Laos. The country's basic backwardness remained untouched. The root of our failure in Laos was described by Peggy Durdin, one of the *New York Times* leading correspondents on Far Eastern affairs: "A governing elite of princes and big property holders was remote from the masses, unable to develop strong and effective government and bent on using government power and the more than \$300 million received in U.S. aid, to remain in office and gain personal financial benefits" (21-5-61).

To say all of this is not to depreciate the Communist danger. On the contrary, we must place it in proper perspective, so that it can be effectively met. The forces of Communism must be understood in terms of their internal dynamics and in relation to the conditions under which they operate. Communism has many arms. It possesses a powerful military machine and has at its disposal skilled agents in subversion. The need to be vigilant and adequately prepared in these areas is self-evident.

However, Communism has another face. It possesses an elaborate body of doctrine, a world outlook and concrete political and economic plans for organizing society. Given the profound sociological upheavals, running through Africa, Asia and Latin America, is it not plausible that this

latter aspect of the Communist drive represents its main thrust? President Kennedy, in a Special Message to Congress on "Urgent National Needs" described the real arena of the world struggle: "The great battleground for the defence and expansion of freedom today is the southern half of the globe—Asia, Latin America, Africa and the Middle East—the lands of the rising peoples. Their revolution, the greatest in human history, is one of peace and hope—for freedom and equality, for order and independence. They seek an end to injustice, tyranny, and exploitation. More than an end, they seek a beginning—a jungle road to bring a doctor when a child is ill—a schoolhouse to unlock the mysteries of knowledge—seed and fertilizer, jobs and food, a chance to live and be more than just alive."

A legacy of 15 years, which had almost become an article of faith, cannot be erased in one fell swoop. Moreover, the new Administration has had relatively little time to dissect the past and then to hammer out programmes to meet the breath-taking changes of today. Nevertheless, history has its own time schedule. And this means that the opportunities of today, if not seized in good time, are apt to turn out to be the frustrations of tomorrow.

In his report to the American people following his talks with leading Western statesmen and Premier Krushchev, the President was candid and clear. "It is easy," he declared, "to dismiss as Communist inspired every anti-government or anti-American riot, every overthrow

of a corrupt regime or every mass-protest against misery and despair. But these are not all Communist inspired. The Communists move in to exploit them, to inflate their leadership, to ride their crest to victory. But the Communists did not create the conditions which caused them."

### Diversity

The world is not a simple division of "friend versus foe." It is made up of diverse peoples, diverse cultures, diverse interest, and diverse historical trends.

The human problem is the central issue of our times. It is extremely complicated and continually in flux.

In the final analysis, it cannot be solved by military means or by Premier Krushchev's dogma which is the other side of the same coin.

In dealing with the newly created States, we cannot expect them to view the world from our standpoint. There is only one thing that we have a moral right to expect, i.e., that the recipients of U.S. aid should "demonstrate responsibility and reciprocate our friendship and good will." In any event, we must free ourselves from the present trap where our national interests are narrowed down to the simple proposition of military build up.

## Riding in Blinkers

By R. S. J. RANDS.

IN economic affairs as in other spheres of life we all tend to "ride in blinkers", and see only what we want to see, thereby avoiding often our responsibilities. In this sense the term "Affluent Society" may blind us to many economic evils today as did the term "Laissez-Faire" in the 19th century blind our ancestors.

In the last century many well intentioned individuals never realized the black side of the early stages of the Industrial Revolution. "The dark satanic mills" only came to light when Royal Commissions revealed the evils of long hours, low wages, degrading slums, etc., and though the noble work of men like Lord Shaftsbury compelled the Government to give way reluctantly to Factory Acts, etc., yet today we are left

with a heritage of labour troubles largely because so many of the well intentioned people rode in the "blinkers" of the "Laissez-Faire" theory. In the light of this theory vast numbers of respectable people persuaded themselves that with free bargaining, hard work, and "enlightened self-interest" the "greatest happiness of the greatest number" would result, thereby satisfying themselves that much of the existing poverty was merely the result of laziness and moral weakness. Thus consciously and more often unconsciously numbers of educated and righteous people did little to combat the evils of the Industrial Revolution.

### "Affluent Society"

In a similar fashion today it would appear that many thousands use the

"Affluent Society" blinkers and thereby quieten their own consciences, for the arrival of the Welfare State seems to relieve them of concern about present economic evils. It is obviously true that millions are materially better off than they were in the 19th century but millions are also suffering unnecessarily through faults in our financial and economic system.

It is therefore necessary to remind all who shirk their responsibilities, and see only what they want to see, that our antiquated money system still leaves us with much unnecessary poverty and encourages a materialistic outlook where the accumulation of gadgets and speculative gains is the main aim. Important services like Education, Health, Housing, Roads, etc., are half starved financi-

ally mainly because we relate production to money instead of money to production. Debt everywhere increases partly because authorities borrow instead of creating the necessary credit. Old Age Pensioners, Disabled People, etc., struggle to make ends meet when all they need is "Credit" to buy the food and clothing, etc., which the shops are longing to sell. "What is physically possible should be financially possible", and the fact that a certain section of the public is much better off in the "Affluent Society" should not blind us to the fact that there are large numbers of people unnecessarily worried by a shortage of money, and that soon increasing numbers will suffer from redundancy because we will not face up to the problem of Automation.

## Britain's Hair Shirt

BRITAIN is about to put on a hair shirt and chastise herself. Seldom in history has a nation done this. Seldom has a government tried it and lived.

The Macmillan Government, politically confident of itself, is trying it.

The hair shirt is the Common Market. Britain on 10th October asked to join the Common Market, with all its economic and political obligations.

These obligations mean a real change for Britain, even hardship.

British business will have to knuckle down to compete with the industrial juggernaut bound together in the Common Market countries: Germany, France, Italy, Belgium, the Netherlands and Luxembourg.

British labour will have to step up productivity, stem wage advances, compete on home grounds for jobs against other Europeans.

British agriculture will have its ways of doing things changed.

British patterns in social welfare will have to be co-ordinated with those in the Common Market countries.

Britain will have to reorient herself more toward the Continent, less toward the British Commonwealth. The easy days of protected Empire trade seem to be drawing to a close.

*From U.S. News and World Report*

## Rural Economy

### (1) RETAIL PRICES CONTINUE TO RISE

"PRICES always rise and never come down" has long been the frustrated cry of the housewife and, as far as retail prices are concerned, statistics largely support her. The United Nations Food and Agriculture Organization (FAO) in its latest report says "... of 74 countries for which general retail prices indices are available, there was a rise in 63 during 1960, a fall in only five and no change in six".

The story is, in general, the same for retail prices of foodstuffs. The *State of Food and Agriculture 1961*, just published by FAO, says that indices of retail food prices are available in 71 countries. Among these "prices advanced in 1960 in comparison with 1949 in 49 countries, remained the same in six and declined in 16".

#### Up by 20—33 per cent.

This trend is borne out by data for eight years from 1953-1960. Out of 68 countries, food became cheaper in only seven, while in 28 other countries it rose by over 20 per cent. Mainly in Latin America and the Far East the rise was even more—to the tune of over 33 per cent.

The report points out that retail prices seem to go up more in the underdeveloped and developing countries than in advanced countries. In 1960 there was generally only a small change in retail food prices in Western Europe and North America but in Latin America, although inflation has slowed down, a rapid rise

in prices continues in some countries of the region. Uruguay showed the greatest increase during 1960, with a rise of 58 per cent in food prices and of 44 per cent in general consumer prices. Much of this rise, says FAO, is likely to be of a short term character, resulting from the restoration of a single exchange rate and the devaluation of currency. In Brazil, consumer prices rose because of "budgetary deficits and foreign exchange reforms." In Argentina, prices are still affected by the decontrol and liberalization policy enforced over the past two years. The rate of price increase has slowed down, but nevertheless, in 1960, prices were 25 per cent above those of 1959. In Chile prices rose by 15 per cent.

#### Inflation a vital factor

FAO says that as well as in Latin America, inflation is still an important factor. Food was 25 per cent dearer in Taiwan and up by 20 per cent in Burma. The Burmese re-introduced some price control measures. Indonesian food prices rose by 27 per cent between January and August 1960 but monetary and trade reforms later reduced the pressure of inflation.

In Japan, food prices rose by 4 per cent while, in India, the fall in food grains prices checked the rising trend which had lasted four years. In Pakistan, food prices were stable throughout 1960 and in Ceylon they fell by 4 per cent.

For the Near East, the largest increase in retail prices was in Iran—10 per cent. Food became cheaper in the Sudan in the first half of 1960 but became dearer in the last half of the year. A tendency towards

lower prices has been evident in Turkey, reversing a seven-year trend.

In Africa retail prices "continued to increase in most parts", although food became slightly cheaper in Ghana and Tanganyika.

## (2) BRITISH AGRICULTURE AND THE COMMON MARKET

By The Rt. Hon. CHRISTOPHER SOAMES, C.B.E., M.P.,  
Minister of Agriculture.

"SO far the Six have decided only certain general principles for the common agricultural policy. Beyond that we have only the proposals which have been put out by the Commission and drawn up to deal with circumstances of the existing members of the Common Market. So far these proposals have been adopted by the Council of Ministers and there is a natural concern among the Six that decisions on this important aspect of the Common Market should not be long delayed. But in the negotiations which are now getting under way we shall have the opportunity to explain our own problems and suggestions and we shall all of us together have to look at the new situation which would be created by our membership. Clearly the expansion of the Community to include the United Kingdom and the other countries now applying for membership will introduce new problems. The balance of supply and demand for various agricultural products in the enlarged Community will not, for example, be the same as the balance in the Common Market of the Six alone.

"As your memorandum points out structural improvements, co-opera-

tive methods and improved marketing are all going to be of the greatest importance in the future if our agriculture is to increase its efficiency and strengthen its competitive position. Under our traditional system the cost of improved equipment falls on both the farmer and the landowner. I suppose something like half, if not more, of the capital in the industry at the present time is provided by the landlord. This is a source of strength which would doubtless become even more apparent under the conditions of a Common Market. The aim of the Community must surely be to encourage the spread of greater efficiency, and no purpose would be served in trying to break up a system which has obvious value in ensuring that neither the long-term nor the short-term requirements of the land are overlooked but that both received their due share of attention. This works well under our system of land tenure and would be no cause for altering that. Indeed, the Treaty of Rome specifically provides that the Common Market shall not prejudice the system existing in particular States in respect of property".

*Extract from a Speech at the Annual General Meeting of the Central Landowners Association*

**(3) AGRICULTURE IN KENYA**

IT cannot be stressed too often that agriculture accounts for 74 per cent (£26 million) of Kenya's exports and provides employment for about 250,000 workers with an annual wage bill of about £10,000,000 a year. If either figure were radically to fall Kenya would be in Queer Street, desperately short of foreign exchange and harassed by grievous unemployment. Moreover there is the need not only to provide exports but also to produce enough food to feed the people. We have seen, often in the past and again this year, that both drought and flood can bring famine to Kenya.

Between 1956 and 1960 there was a fall in the Scheduled Areas of the

acreage planted to wheat from 315,599 acres to 219,815 acres, and the acreage planted to maize fell from 166,285 acres to 118,021 acres. The figures for 1961 are not yet available, but in this year of Mother Nature's petulance—first drought and army-worm and then disastrous floods—it has been necessary to import a large quantity of maize for famine relief. If the output of foodstuffs from the Scheduled Areas were greatly to shrivel it is idle to suppose that it would be possible to feed the people, in a year when the rains failed, without large imports of cereals which would involve a large outgoing of foreign exchange.

*From The Kenya Weekly News*

**Readers' Commentary****THE KATANGA ANSCHLUSS AND THE HERESY OF THE UNITED NATIONS**

Sir,

As one who has spent several years in the Belgian Congo, may I deny that the Katanga is necessary to the Congo for it (the Congo) to be economically viable. The Congo would be better off with the Katanga but it is perfectly able to be economically viable, as is the former French République of the Congo, without it. In fact each of the former Belgian provinces is self-sustaining—largely agricultural yet diversified and with

significant mineral resources. Large resources await further development as a recent official survey showed. (Such development would form an ideal project for one of the numerous international development agencies.) As a matter of historical record the Katanga was opened up by the extension of the railway westward from the Rhodesias while the Congo was opened from the sea through Matadi and Leopoldville and thence up the river. Consequently it was not until



1934 that the two areas were given a joint administration. Nevertheless the Katangese have offered to contribute generous financial aid to any acceptable central government.

Financial considerations evidently are not paramount. What then are the other motives of those who desire the forcible incorporation of the Katanga with Leopoldville as the final solution of the Congo problem? Their ambitions are far wider. Subversion of the whole of the rest of East, Central and Southern Africa cannot be accomplished from Leopoldville due to communications difficulties. Elizabethville however provides an ideal centre, dominating the whole area. Furthermore, as the tribal boundaries cut across the

Katanga-Rhodesian border, once the Katanga has been subdued, Communisation of the rest of the area could be rapidly achieved. Control of Kamina would enable the whole area to be dominated militarily. Finally to admit that the Katangese want to co-operate with the Europeans would be to admit that Free Enterprise Capitalism works. This would be a far too damaging blow to be acceptable to the world wide anti-freedom conspiracy or the Afro-Asian imperialists.

Yours truly,

M. L. GRAHAM.

Freeport, Long Island,  
New York, U.S.A.  
September 29th, 1961.

## SOCIAL CREDIT FALLACIES

### Points from letters received

Sir,

I deplore Mr. Wakinshaw's habit of making use of words of his own coining, without explanation, such as 'proflation'. This is very confusing, and makes his letter very difficult to understand, to the uninitiated.

Most of the letter appears to be a personal attack on the conduct of Orage and Douglas under fire, on their shortcomings, and those of certain other Social Crediters. No matter how much, or little, truth in these allegations, they still do not constitute a valid attack on the principles of Social Credit.

I would welcome coherent criti-

cism from the pen of Mr. Wakinshaw, but in simple language that anyone could understand. And I would further suggest that he get right down to first principles. Why not, for instance, set down the A plus B Theorem, as stated by Douglas, and expose its fallacies? Only by so doing could Mr. Wakinshaw's letter justify the title, 'Social Credit Fallacies', so hopefully bestowed on it.

Yours sincerely,

J. K. GRUBIAR.

8 Caird Drive,  
Glasgow.  
October 31st, 1961.

Sir,

The essence of Douglas's teaching is, that if we want the economic system to run smoothly and well, so as to confer the maximum of benefit on the community as a whole—and of the world—we must adjust the financial system to fit the true economic facts—i.e., to the productive capacity of the country—and of the world—instead of forcing the economic system to fit itself to an extremely defective bogus-debt-creating financial system, as at present.

This means that for every £1 worth of goods produced for sale we must provide a corresponding £1 of

purchasing power to meet it. In other words, we must make and keep the community's—and the world's—total income: its total purchasing power—always level with the total costs and prices of all the goods produced, if they are all to be sold, and the country—and the world—kept free of debt. It's as simple as that—so simple, in fact, that the majority of people, including Mr. Wakinshaw, fail to grasp its truth.

H. M. MURRAY.

Hillside, Abbey Road,  
Auchtermarder,  
Perthshire.

Sir,

"Money is only a goods-ticket in order to maintain the desired balance between goods and money" is not only ungrammatical but meaningless. That money can be regarded as a goods-ticket is obvious to everyone. The whole point of the Douglas analysis is that goods-tickets are now kept in short supply *vis-à-vis* goods—that the aggregate of incomes is less than the aggregate of prices of goods. I suppose Mr. Wakinshaw is implying that the manufacture of something automatically creates the buying power with which it can be bought. But industry does not create any form of money.

"Unless, therefore, a farm-analysis or factory-analysis goes back to first principles of goods and money, it is inevitably unsound." What kind of analyses? And what principles?

That you cannot ~~eat~~ money and that a production increase is an increase in production?

Mr. Wakinshaw's pejorative villifications on the "shirking" by Orage and Douglas of a meeting with Labour experts, on Douglas' manner before the Macmillan Committee, on the variance of Social Credit witnesses and counsel at the N.Z. Commission are unsupported by evidence and do not, in any case, affect the clear, basic truths of the philosophy, analysis and proposals propounded by Major Douglas. This kind of opposition is childish.

Yours faithfully,

ERIC DE MARE.

3 Stanley Crescent,  
London, W.11.  
October 29th, 1961.

Sir,

Will Mr. Wakinshaw be good enough to tell us what he would do with an economy like that of the United States where farmers are paid for *not* growing foodstuffs, rearing pigs, etc.—where surplus stocks of food are kept in warehouses and unused ships for rats to nibble at and render unfit for human consumption.

Thirty million people die each year from malnutrition or starvation.

Must that continue because it would be regarded as the unpardonable sin, to money market economists, to upset prices and profits, by doing a little Christian service to those in need?

Yours leisurely,

H. H. JONES.

8 Walton Village,

Liverpool, 4.

October 30th, 1961.

## Motorways and Planning

THE few motorways which have been built in Great Britain have, in the Minister of Transport's own words, shown that for heavy volumes of traffic the all-purpose road is out of date and it appears to be quite obvious now that all important roads in Great Britain will have to be built as motorways or to motorway standards.

Motorways enable heavy volumes of traffic to flow freely and safely without the interruptions and hazards which are met with on all-purpose roads. Their value is particularly marked when they are constructed to relieve congestion and delays in urban areas. A typical instance of this is the Lancaster By-pass where an economic investigation has been made in accordance with the methods recommended by the Ministry of Transport and the Road Research Laboratory. These investigations have shown that the savings in travel costs and accidents (with deductions for increased road maintenance) amount to £750,100 per year. This represents a return of

17.3 per cent on the capital investment involved in the construction of the by-pass.

The main item in the saving arises from the reduced travel costs for vehicular traffic. Broadly it is made up from savings in the central area of Lancaster, where 23,000 vehicles previously moved at average speeds of 9.4 miles per hour and, on the approaches to Lancaster, where, for example, on the south section, 28,800 vehicles moved at an average speed of 22 miles per hour.

The diversion of traffic on to the motorways has increased these speeds to 14.9 and 29.9 miles per hour respectively, whilst traffic using the motorway averages 11,500 vehicles per day and travels at an average speed of 45.7 miles per hour (cars).

As the amount of traffic on the roads increases so will the savings mount at a greater rate. Assuming the present rate of growth in traffic of 8 per cent per annum is maintained, then the road will have paid for itself in 4½ years.

*From British Road Federation Bulletin*

## Digest Reviews

### HEADSHIP OF THE COMMONWEALTH

*The Modern British Monarchy.* By Sir Charles Petrie, Bt., C.B.E. Eyre and Spottiswoode, 25s.

Sir Charles Petrie writes racy, readable prose. He takes a robust High Tory attitude to our constitution. The historian of the Jacobites is loyalty itself—loyalty without obsequiousness. He impugns the manners, rather than the matter, of certain criticisms made of the Court and remarks that, despite all the publicity, we know little of the thoughts of the Monarch. He pronounces the Royal Family to be dangerously out of touch with the trend of thought, recalling that Vives declared that the Sovereign should be the nation's intellectual inspirer. But Sir Charles ably dismisses the mean attack, still sometimes heard, on the cost of the royal establishment. He shows that the United Kingdom makes a million a year profit out of monarchy, thanks to successive transfers of kingly wealth to the national coffers.

Believing in the importance of breeding, Sir Charles traces the two strains in the royal heredity. Hanover and Coburg. Her Majesty exemplifying one, Princess Margaret the other.

Queen Victoria he demonstrates to have been anything but a person of commonplace ability. But the power, as distinct from the prestige, of the

Crown declined throughout her reign.

An important factor is the time it takes for a new Sovereign to find his or her feet—and it seems that there has usually been encroachment on the prerogative when there has been a Queen on the throne. Politicians have little desire to share their power with others.

Sir Charles Petrie recalls his own part in the Abdication crisis: but this is only one of many fascinating incidents and vignettes. His Toryism does not prevent him from being sceptical about Disraeli, not the only Conservative Premier who, although perceptive, "rarely acted on his perception."

### GENOCIDE AND A GENERAL

*The Destruction of the European Jew.* By Paul Hilberg. W. H. Allen; 84s.

*Peace and War: A Soldier's Life.* By General Sir Frederick Morgan, K.C.B. Hodder and Stoughton; 25s.

Propaganda is nowadays so pervasive that the truly educated man is inclined to dismiss as propaganda events or facts his mind, consciously or unconsciously, desires to reject. The Third Reich's "Final Solution" of the Nazi problem of European Jewry is a cold, calculated crime

against humanity and therefore God, so unspeakable, so enormous that the civilized mind boggles. Unlike earlier persecutions, race not faith was the test. Whispers of "exaggeration" or "propaganda" or even "Well, they asked for it, didn't they?" became just the teeniest bit persuasive.

Does this phenomenon explain why the author accuses Churchill of not being "particularly concerned with the safety of the Jews"? His evidence is a quotation from Sir Winston's Second World War Memoirs, which does not seem to bear this interpretation.

Therefore Professor Raoul Hilberg's *magnus opus* is salutary and valuable. The cumulative effect of its detail and patient documentation compels acceptance. Its coldly clinical, factual manner is more telling than other books on the subject which passionately protest against an unspeakable infamy which chokes the very indignation in one's throat. The perpetrators speak best for themselves. Göring and Heydrich argue as an administrative problem the advantage and disadvantage of the Ghetto. Comment is unnecessary when a Minister of Justice complains that "the administration of justice can make only a small contribution to the extermination of these peoples"—namely, Poles, Russians, Jews and Gypsies. So the buck is passed to the S.S. The bureaucratic machine of terror—the Civil Service played its part—grinds on, and general German public protest is rare—

as when the Catholic Father Lichtenberg prayed for the Jews in St. Hedwig's Cathedral in Berlin and, as he himself requested, shared its fate. Protestant and Catholic churchmen protested and hid Jewish children, but the silence of so many Germans is as remarkable as the fatalism with which so many Jews met their ghastly end. Incidents such as the revolt in front of the Auschwitz gas chamber were rare.

The book is sponsored by the Frank and Janina Perschek Foundation. Its American-educated author has in preparation a study of the general motives of the policy which encompassed the murder of five million Jews.

Professor Hilberg does not care for General Morgan, with his allegations made during his service with the United Nations Relief and Rehabilitation Administration (U.N.R.R.A.) that the organisation was being misused by Zionists. However that may be, and in the terrible circumstances of the time unflinching correctness was hardly to be expected, this "soldier's life" is lively and fascinating and should be read for the fun of it as well as for the light it throws on events and personalities of his day. The Indian reminiscences will stir the nostalgia of some of our readers. What General Morgan has to say about Operation "Overlord" is clearly of prime importance and will be studied with special interest with reference to recent controversy, involving 'Monty' and others.

## AN ACQUISITIVE SOCIETY

*Wealth, Virtual Wealth and Debt*\*

By Frederick Soddy. Omni Publication; \$4.50.

Professor Soddy's unique position in the scientific world made him fully aware of the fact that largely through the medium of science and technological advance, the problems which had confronted humanity in past ages, the problem of producing sufficient wealth, had very largely been solved. In writing of the failure of money to fulfil its proper role as the means of ensuring that the benefits of science and technology should be passed on to the human race, Soddy wrote of: "a monstrous cancer invading the heart of the nation and turning to evil the good that might reasonably have been expected to follow the solution of the problem of wealth production".

We have developed, he suggested, an acquisitive society based on the love of money. We still grope for the solution to our problems in spite of the fact that, with his truly scientific analysis, Soddy suggested the direction we should take to solve our problems.

It is significant that Professor Soddy's book, perhaps his most important economic work, entitled *Wealth, Virtual Wealth and Debt* has recently been republished by an American publisher in the United States. Written in 1926, this book certainly repays study even though it was first published 35 years ago. This cannot be said of all the economic text-books published in the 20's!

\*Copies of this work can be obtained through 'Commonwealth Digest' (35/- post free)

### SODDY MEMORIAL LECTURE

Copies of the above lecture, commissioned by the Soddy Memorial Trust, being an appreciation of Professor Frederick Soddy's contribution to economic thought may be obtained through "Commonwealth Digest" (price one shilling, post free).

## AT THE CROSS-ROADS

*What's Wrong with the Unions?* By Eric Wigham. Penguin Books; 3s. 6d.

The unions are at the cross-roads, says the author of this new Penguin. The next few months will decide whether they indulge in an out-and-out struggle with the Government, with all the disastrous consequences which that may bring, or whether they work with the Government to try to cure the country's economic difficulties. Never has the union of the unions mattered more to the nation.

Mr. Wigham believes that they are basically sound but they have failed to keep pace with the changing times, while inadequate leadership has allowed a number of abuses to go unchecked. He explains the Communist infiltration which has forced the T.U.C. to expel one of its biggest unions and shows how persecution of individuals and minorities and restrictive practices have sometimes gone unchecked. He also has a chapter about employers, who he considers must share the responsibility for present difficulties.

**U.K.—U.S.**

*Reflections on Britain and the United States—mainly Economic.* By E. Lipson. The Pall Mall Press; 12s. 6d.

Mr. Lipson examines the relative strengths and weaknesses of the British and American economies. He reviews the divergent lines of their economic development and sets out the differences which have grown up. He suggests that "One of the arresting traits of the American character is its excess of buoyancy when things go well and its excess of gloom when things go badly." He also refers to an American tombstone (Ohio) which bore the inscription: 'Here lies Jane Smith, wife of Thomas Smith, marble cutter. This monument was erected by her husband as a tribute to her memory and a specimen of his work. Monuments of the same style 350 dollars'.

**MEN OF POWER**

*The Kennedy Government.* By Stan Opatowsky. Harvop; 15s.

The American system of government places an enormous responsibility on the President and the men who surround him. Mr. Opatowsky of the *New York Post* has performed a useful service for the British public by providing an up-to-date survey of the new President and his team. The author writes "When Kennedy took office he had to fill at least 5,000 jobs with Democrats; of these more than 400 were second-line but policy-making positions and at least 80 of them were top level. It is as if a new government in Britain had to replace the senior civil servants in every department in the space of a few weeks."

A short political and personal profile of each member of the cabinet, beginning with Kennedy himself is supplied. Mr. Opatowsky points out that it is a young wealthy and intellectual administration, but, says the author, "if eagerness and conscientiousness and good intentions and long hours can be decisive, the future is good. For these are the qualities which the Kennedy administration is giving the world."

**EMPIRE TO COMMONWEALTH**

*The Liquidation of the British Empire.* By C. E. Carrington. Harvop; 8s. 6d.

Professor Carrington's Reid Lectures, delivered at Acadia University in 1959, have been published and provide a splendid counterblast to those who lose no opportunity of denigrating the Commonwealth. The first section of the book deals with Empire to Commonwealth; the second the new Participation of Africa; the third draws up a provisional balance sheet.

**THE COMMON MARKET**

*If Britain Joins.* Published by the Economist Intelligence Unit. Sponsored by the National Union of Manufacturers. 6s.

Summarises the main objectives and rules of the Common Market as laid down in the Treaty of Rome and shows how the treaty is in practice being applied, what progress has been made in creating the E.E.C., and what still remains to be done.

Against this background the effects of entry into the Common Market on Britain's economy are judged. The pattern of trade, the structure of industry and the movement of labour

and of capital are among the factors considered. Then the prospects for specific industries are examined in more detail. Eight leading industrial groups are dealt with.

### COMMONWEALTH ECONOMIC COMMITTEE

*Commonwealth Development and its Financing.* No. 1—Canada; 8s. No. 2—Federation of Rhodesia and Nyasaland; 7s. No. 3—Pakistan; 8s. Obtainable from H.M. Stationery Office, or from the Secretary, Commonwealth Economic Committee.

What is being accomplished in Commonwealth countries and how is the money being found to do it, are the questions which the Commonwealth Economic Committee deals with in its new series *Commonwealth Development and its Financing*.

The first three short studies cover the widely differing economies of Canada, the Federation of Rhodesia and Nyasaland, and Pakistan. A short introduction is followed by a brief description of each country's recent economic progress and the growth of its labour force, production, trade, national income and capital formation. A conspectus of the sources and uses of investment funds provides the financial background for a more detailed account of the development of transport, power and production, especially in the fields of manufacturing, mining and agriculture. A summary and an appendix containing the principal statistics complete the work.

### ROMANCE OF TRADE

*History of the Hong Kong General Chamber of Commerce, 1861—1961.* By W. V. Pennell.

In the introduction to the book the author says: "This is primarily a story of the development and expansion of the trade, shipping and industry of Hong Kong, as seen through the records of the Hong Kong General Chamber of Commerce, which this year celebrates its Centenary. There were temptations to leave the disciplined path and wander in greener and more colourful pastures. Colour is the almost indispensable element of even the most modest and limited historian. The romance of trade is rarely to be found in the minutes of a Chamber, but rather in the stories of the rise, and occasionally the fall, of great commercial enterprises, the honges which have outlasted this first century. The times through which they have passed were surely not less strange and difficult than those they may apprehend in the rest of the Twentieth Century."

### SHORTER SCRUTINY

*Farm Planning and Management.* By C. H. Blagburn. Longmans Green; 45s.

Mr. Blagburn, who has held several posts in government and in university circles and is now engaged on advisory work, has provided a useful study dealing with the application of economic principles to farm management in Britain. He urges the importance of looking at the farm from the economic point of view as a whole



and he develops and applies in practice a system of analysis of the physical and financial results achieved by individual farms.

*Federalism and Economic Growth in Underdeveloped Countries. A Symposium. Allen and Unwin; 25s.*

This symposium is based on the proceedings of a small working party conference held in September, 1959. Contributors include Ursula Hicks, J. R. Hicks, F. G. Carnell, W. T. Newlyn, and A. H. Birch.

*Northern Rhodesia: The Human Background. By Anthony St. John Wood. Pall Mall; 16s.*

A Colonial servant, whose judgement is somewhat coloured by previous experience of Britain's India, Mr. Wood writes with sympathy and perception. If the various groups here portrayed will read with humility what Mr. Wood says about them—I feel this may be unlikely—this book will have greatly helped the cause of racial partnership in Central Africa.

## Jokes behind the Iron Curtain

RUSSIAN jokes are not unlike jokes everywhere. They poke fun at authority, at the provinces, at men and women. For example, all Armenians are supposed to be funny, and Radio Armenia is popularly supposed to be staffed by idiots, always broadcasting deadpan gaffes. Shortly after the French exploded their first A-bomb in the Sahara, Radio Armenia decided to broadcast a series of dialogue programmes on "What to do in the Event of an Atomic Attack".

So the story runs, the dialogue went like this: "Well, comrade, what would you do in the event of an atomic attack?"

"Well, comrade, I would wrap myself in a white sheet and make my way slowly to the nearest cemetery."

"Why would you go slowly, comrade?"

"So as not to spread panic, comrade."

\* \* \*

*From NATO Letter (North Atlantic Treaty Organisation)*

Moscow has its own jokes, mostly at the expense of provincial visitors to the capital. A Ukrainian is supposed to have come to Moscow with his pockets full of roubles—a prize-winning tractor driver.

He decided he would buy some smart shoes. He asked at the desk of the Hotel Moskva where he should go, and the desk clerk gave him an address. The Ukrainian found the building and walked inside unchallenged.

In front of him there were two doors. One was labelled MEN'S SHOES, the other WOMEN'S SHOES. Without hesitation he chose the right-hand, MEN'S SHOES, door and pushed it open. In front of him there was a long corridor.

He walked along it until he came to two more doors. One was labelled SUMMER SHOES and the other WINTER SHOES. It was a long time, so he chose the right-hand, SUMMER SHOES.

He opened the door and again found himself in a long corridor. At the end of the corridor were two more doors, one labelled PARTY MEMBERS, the other NON-MEMBERS.

The tractor driver, a non-member, pushed open the appropriate door and found himself back in the street.

*Pravda*, a dreary paper run by Party hacks, has worn out many a joke at its own expense. The latest *Pravda* story goes like this. One day Kennedy got Khrushchev on the phone and said:

"Look here, K. you believe in peaceful competition. Instead of an arms race, let's you and me race over

a hundred yards of the Sahara desert. If I win, then the world goes capitalist. If you win, the world goes communist."

Khrushchev, who can never resist a trial of strength, in spite of his age, agreed to take up the challenge. The race was held, with Ferhat Abbas and de Gaulle as umpires. Alas for Karl Marx, Kennedy won.

For two days, *Pravda* was silent about the result of the race. Then on the third day, it came out with a banner headline:

KENNEDY LAST BUT ONE.

(From Roy MacGregor-Hastie's *Russian Joke Book*).

#### FOR REFERENCE

Items in this Section will be kept for one year. Any of our readers and any member of the Economic Research Council who wishes to refer to any of them is invited to apply, citing the appropriate number or numbers (given in brackets after each item).

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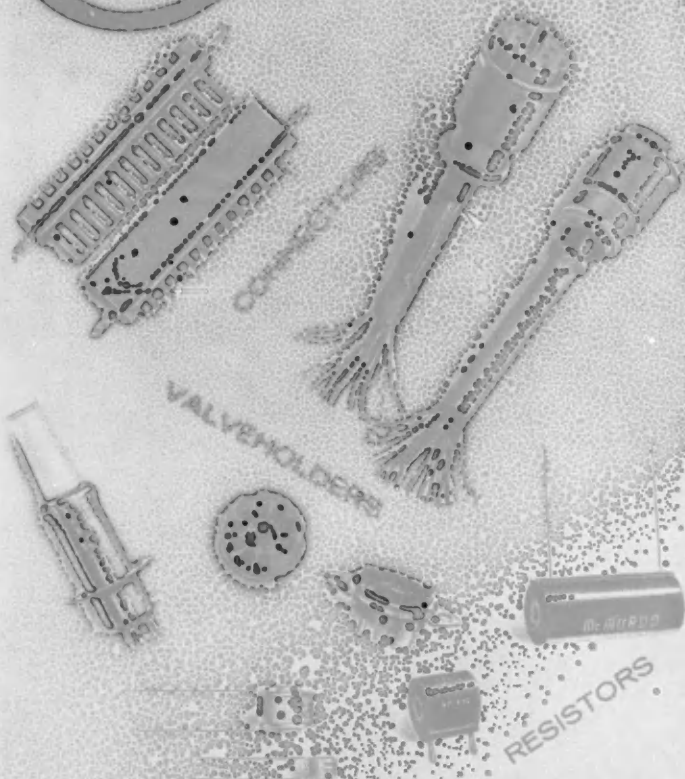
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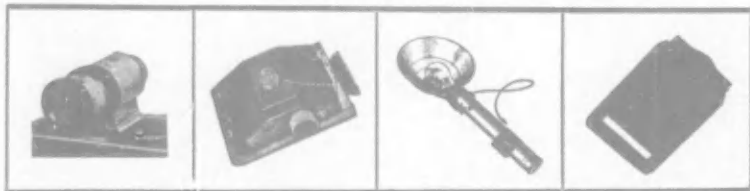
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